

SCHEDULE I
INDUSTRIAL EXPANSION OR REVITALIZATION CREDIT – OTHER THAN ELECTRIC POWER PRODUCERS
For Qualified Investment Placed Service on or Before December 31, 2002

The purpose of the Industrial Expansion or Revitalization Credit is to encourage the establishment of new industry, the expansion of existing industry, and the growth and revitalization of industrial facilities in West Virginia.

NOTE: Entitlement to the Industrial Expansion or Revitalization Credit no longer may be earned for investment made on or after January 1, 2003. If you are a qualified manufacturer, new investment made on or after January 1, 2003 may qualify under the Manufacturing investment Tax Credit program.

ELIGIBLE TAXPAYERS

Industrial Expansion or Revitalization Credit is only available to electric power producers (electric power producers should use Schedule I-EPP) and the following taxpayers, to the extent that the qualified investment was placed in use or service prior to January 1, 2003:

1. manufacturers who produce their own goods; (food processors are not classified as manufacturers)
2. service manufacturers who produce manufactured goods which they do not own.

AMOUNT OF CREDIT

The tax credit shall be limited to 10% (1% for each of ten consecutive years) of the total qualified investment for industrial expansion or revitalization. The amount of credit employed in any given year shall not reduce the taxpayer's Business Franchise Tax (§11-23) and Severance Tax (§11-13A) liability by more than 50%. Any unused credit for a particular year is forfeited.

PROPERTY PURCHASED FOR INDUSTRIAL EXPANSION OR REVITALIZATION

Property purchased for industrial expansion or revitalization is defined as all real property and improvements thereto and new tangible personal property, but only if such property is constructed or purchased for use as a component part of a new, expanded, or ongoing industrial facility of an industrial taxpayer. Tangible personal property is included within the above definition only if depreciation or amortization, in lieu of depreciation, is allowable in determining federal personal or corporation net income tax. The property must have a useful life of four years or more. Useful life is defined as the period over which the asset may reasonably be expected to be useful in the taxpayer's business.

LEASING OF PROPERTY

The leasing of property for a term of ten years or longer, if used as a component part of a new, expanded, or ongoing industrial facility is considered property purchased for industrial expansion or revitalization. Lease renewals, subleases or assignments shall not be considered, however.

INELIGIBLE PROPERTY

Property purchased for industrial expansion or revitalization does not include the following:

1. Motor vehicles licensed by the Department of Motor Vehicles;
2. Airplanes;
3. Off-premise transportation equipment;
4. Property located or primarily used outside of West Virginia;
5. Property acquired incident to the purchase of the stock or assets of an industrial taxpayer which was or had been used by the seller in his industrial business in West Virginia, or which has been previously designated property purchased for industrial expansion or property purchased for industrial revitalization or property purchased for eligible research and development projects and used to qualify for the credit for industrial expansion. Property which has been previously designated as qualified property placed in service for the Business Investment and Jobs Expansion Credit is likewise disqualified.
6. Property purchased for industrial revitalization prior to July 1, 1981.
7. Property not directly attributable to the industrial expansion.

NET COST

Net Cost is the net monetary consideration provided for acquisition of title and/or ownership to the subject property. Net cost shall not include the value of any property given in trade or exchange for such new property purchased for industrial expansion.

If property is damaged or destroyed by fire, flood, storm or other casualty, or is stolen, then the cost of replacement property does not include any insurance proceeds received in compensation for the loss.

In the case of leased property acquired for a period of ten years or longer, net cost shall be the rent reserved for the primary term of the lease, **not** to exceed 20 years. Lease renewals, subleases or assignments shall not be considered.

In the case of self-constructed property, the cost thereof is the amount of property charged to the capital account for purposes of depreciation.

PROPERTY PURCHASED FOR MULTIPLE BUSINESS USES

If property is purchased for multiple business use including use as a component part of a new, expanded, or ongoing industrial facility of an industrial taxpayer together with some other business or occupation not qualifying (for example, retail selling), the use of the property in the qualified activity and nonqualified activity must be thoroughly supported and explained by separate documents submitted with the application, and the amount of credit arising from that property must be based on cost allocated to the qualified activity.

ELIGIBLE INVESTMENT

To determine the amount of eligible investment for the industrial expansion credit, the net cost of each property purchased is multiplied by the applicable percentage shown below according to the useful life of the property.

<u>If useful life is:</u>	<u>The applicable percentage is:</u>
4 years or more but less than 6 years	33 1/3%
6 years or more but less than 8 years	66 2/3%
8 years or more	100 %

EXAMPLE

If a taxpayer purchases for \$25,000 after July 25, 1999, a machine for use in a new, expanded, or ongoing portion of its industrial facility, which has a useful life of 6 years, the eligible investment is equal to \$16,666.66. The eligible investment is calculated by multiplying the cost of the equipment, \$25,000, times the applicable percentage according to the useful life, 66 2/3%, to arrive at \$16,666.66. The credit is equal to 10% of the eligible investment or \$1,666.67. This credit must be claimed over a period of 10 years at a rate of 10% (\$166.67) per year.

CREDIT RECAPTURE

Credit attributable to property that ceases to be used in this State prior to the end of its categorized useful life must be recalculated for all tax years according to actual useful life. For example, Company A invests \$10 million in equipment with a designated useful life of 8 years in 1999. The credit for Company A is calculated to equal \$1,000,000 or \$100,000 per year for 10 years. However, Company A moves this equipment to New York in 2004, and therefore the equipment's actual useful life in West Virginia is reduced to only 5 years. The corresponding credit is reduced according to the above formula from \$1,000,000 to \$333,333 or \$33,333 per year for 10 years. A reconciliation statement for the 1999 through 2004 period reflecting an overutilization of credit must then be submitted with payment of any additional tax, interest and penalties owed.

COMPUTATION OF INDUSTRIAL EXPANSION CREDIT

Computation of Eligible Investment:

- Column 1. Enter the net costs of the property in Column (1) on the appropriate line determined by the life of the property.
- Col. 2 & 3. Multiply the net costs in Column (1) by the applicable percentages in Column (2). Enter the results in Column 3.
- Line 4. Add the figures in Column (3) and enter on Line 4. This is the taxpayer's eligible investment.

Computation of Potential Current Annual Credit:

- Line 5. To determine the taxpayer's total potential current annual credit, which can be taken over a period of ten years, multiply the total eligible investment (Line 4) by 10%. Enter the result on Line 5.

Computation of Current Annual Credit:

Line 6. To determine the taxpayer's annual credit earned during the current taxable year, multiply the total potential credit on Line 5 by 10%. Enter on Line 6. Forfeited if not used.

Credit From Previous Years:

Line 7. Enter any annual Industrial Expansion or Revitalization Credit from prior year(s). For eligible investments for multiple year(s), a worksheet must be provided showing the computation.

Computation of Total Annual Credit:

Line 8. To determine the total amount of credit available in the current taxable year, add the credit earned during the current year shown on Line 6 to the amounts available from previous years shown on Line 7. Enter the total on Line 8.

Line 9a. Enter your total amount of Business Franchise Tax remaining after deductions for the Subsidiary Credit and Business and Occupation Credit.

Line 9b. Enter sum of Business Investment and Jobs Expansion Credit (Super Credit), Economic Opportunity Credit, Research and Development Project Credit, Residential Housing Development Project Credit and Coal Loading Facilities Credit, if any, applied against your Business Franchise Tax liability.

Line 9c. Subtract Line 9b from Line 9a.

Line 9d. Enter 50% of Line 9a.

Line 9e. Enter sum of Research and Development Project Credit, Manufacturing Investment Credit and Residential Housing Development Credit, if any, applied against your Business Franchise Tax liability.

Line 9f. Subtract Line 9e from Line 9d.

Line 9g. Enter the lesser of Line 8, or Line 9c, or Line 9f. This represents the maximum Industrial Expansion or Revitalization Credit available against your Business Franchise Tax liability.

Line 10a. Enter total pre-credit Severance Tax liability.

Line 10b. Enter sum of Business Investment and Jobs Expansion Credit (Super Credit), Research and Development Project Credit, Residential Housing Development Project Credit and Coal Loading Facilities Credit, if any, applied against your Severance Tax liability.

Line 10c. Subtract Line 10b from Line 10a.

Line 10d. Enter 50% of Line 10a.

Line 10e. Enter sum of Research and Development Project Credit, Manufacturing Investment Credit and Residential Housing Development Credit, if any, applied against your Severance Tax liability.

Line 10f. Subtract Line 10e from Line 10d.

Line 10g. Enter the lesser of Line 8, or Line 10c, or Line 10f. This represents the maximum Industrial Expansion or Revitalization Credit available against your Severance Tax liability.

Schedule I

**Credit for Industrial Expansion or Revitalization – Other than Electric Power Producers
For Qualified Investment Placed Into Service on or Before December 31, 2002**Business Name _____ Identification Number _____
Tax Period _____ To _____

Computation of Eligible Investment (Note: Investment placed in service or use on or after January 1, 2003 is not eligible for new Industrial Expansion and/or Revitalization Credit entitlement. Calculation of credit for investment placed in service or use after January 1, 2003 will be disallowed.)

	(Column 1) Net Cost	(Column 2) Percentage	(Column 3) Allowable Cost Investment
1. Expansion or Revitalization property with useful life of 4 years or more but less than 6 years	\$ _____	33 1/3%	\$ _____
2. Expansion or Revitalization property with useful life of 6 years or more but less than 8 years	\$ _____	66 2/3%	\$ _____
3. Expansion or Revitalization property with useful life of 8 years or more	\$ _____	100%	\$ _____
4. Total Eligible Expansion or Revitalization Investment			\$ _____

5. Total Potential Expansion Credit (10% of Line 4)..... \$ _____

6. Available Annual Expansion Credit (10% of Line 5) (Forfeited if not used)..... \$ _____

7. Available Annual Expansion or Revitalization Credit from prior years (incomplete information will result in the disallowance of the credit)

Reference Period
(Number of Years
Prior to Current
Tax Period)

Tax Period Ending*	Original Available Annual Credit	Adjustments**	Net Available Annual Credit
9	_____	_____	_____
8	_____	_____	_____
7	_____	_____	_____
6	_____	_____	_____
5	_____	_____	_____
4	_____	_____	_____
3	_____	_____	_____
2	_____	_____	_____
1	_____	_____	_____
Total			_____

*New entitlement to Industrial Expansion and/or Revitalization Tax Credit is not available for investment placed in service or use on or after January 1, 2003.

**Adjustments, including the disposal of property or machinery before the originally stated useful life, may also result in the recapture of credit previously claimed. See the instructions for the credit recapture provisions.

8. Total available Annual Expansion or Revitalization Credit (Line 6 plus Total from Line 7)..... \$ _____

Manufacturers	9.	a)	Total Business Franchise Tax.....	\$ _____
		b)	Amount of Other Credits Claimed.....	\$ _____
		c)	Net Limit (9a-9b).....	\$ _____
		d)	Credit Limit (50% of 9a).....	\$ _____
		e)	Amount of Other §11-13D Credits Claimed.....	\$ _____
		f)	Net §11-13D Limit (9d-9e).....	\$ _____
		g)	Industrial Expansion or Revitalization Credit Offset.....	\$ _____
Natural Resource Processors	10.	a)	Total Severance Tax.....	\$ _____
		b)	Amount of Other Credits Claimed.....	\$ _____
		c)	Net Limit (10a-10b).....	\$ _____
		d)	Credit Limit (50% of 10a).....	\$ _____
		e)	Amount of Other §11-13D Credits Claimed.....	\$ _____
		f)	Net §11-13D Limit (10d-10e).....	\$ _____
		g)	Industrial Expansion or Revitalization Credit Offset.....	\$ _____
	11.		Total credit claimed lines 9g + 10g	\$ _____

Note that the sum of credit claimed on Lines 9g, and 10g may not exceed 50% of the sum of the liabilities reported on Lines 9a and 10a. This 50% also applies to the sum of all tax credits claimed under § 11-13D and of the West Virginia Code (i.e. Research and Development Credit, Residential Housing Development Credit). Unused annual credit is forfeited.